

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 30, 2022**

Sunnydale HOPE SF Block 3A, located at 1500 block of Sunnydale Avenue in San Francisco, requested and is being recommended for a reservation of \$4,136,364 in annual federal tax credits to finance the new construction of 79 units of housing serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Related Irvine Development Company and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Affordable Housing and Sustainable Communities (AHSC) program of HCD.

Project Number CA-22-624

Project Name Sunnydale HOPE SF Block 3A
Site Address: 1500 block of Sunnydale Avenue
San Francisco, CA 94134 County: San Francisco
Census Tract: 605.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,136,364	\$0
Recommended:	\$4,136,364	\$0

Applicant Information

Applicant: Sunnydale Block 3A Housing Partners, L.P.
Contact: Ann Silverberg
Address: 44 Montgomery Street, Suite 1300
San Francisco, CA 94104
Phone: (415) 677-4009
Email: asilverberg@related.com

General Partner(s) or Principal Owner(s): Related/Sunnydale Block 3A Development Co., LLC
Mercy Transformation LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
Mercy Housing Calwest
Developer: Related Irvine Development Company
Bond Issuer: City and County of San Francisco
Investor/Consultant: U.S. Bancorp Community Development Corporation
Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. / % of Low Income Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (60 units - 80%)

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 CTCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	17	22%
40% AMI:	19	24%
50% AMI:	43	54%

Unit Mix

4 SRO/Studio Units
24 1-Bedroom Units
28 2-Bedroom Units
16 3-Bedroom Units
8 4-Bedroom Units
80 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	30%	\$1,048
7 2 Bedrooms	30%	\$1,247
3 3 Bedrooms	30%	\$1,386
2 4 Bedrooms	30%	\$1,496
11 1 Bedroom	50%	\$1,386
14 2 Bedrooms	50%	\$1,559
12 3 Bedrooms	50%	\$1,732
6 4 Bedrooms	50%	\$1,871
4 SRO/Studio	40%	\$1,305
8 1 Bedroom	40%	\$1,398
7 2 Bedrooms	40%	\$1,678
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$494,408
Construction Costs	\$62,212,206
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,157,162
Soft Cost Contingency	\$503,880
Relocation	\$0
Architectural/Engineering	\$2,369,036
Const. Interest, Perm. Financing	\$7,041,904
Legal Fees	\$192,480
Reserves	\$1,792,084
Other Costs	\$1,734,937
Developer Fee	\$5,971,000
Commercial Costs	\$0
Total	\$85,469,097

Residential

Construction Cost Per Square Foot:	\$822
Per Unit Cost:	\$1,068,364
True Cash Per Unit Cost*:	\$1,021,226

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank - Tax-Exempt	\$43,761,006
US Bank - Taxable	\$16,895,722
MOHCD**	\$13,676,150
Accrued Interest	\$667,258
Deferred Developer Fee	\$3,771,000
Deferred Costs	\$2,929,884
General Partner Equity	\$100
Tax Credit Equity	\$3,767,977

Permanent Financing

<u>Source</u>	<u>Amount</u>
US Bank - Tax-Exempt	\$17,002,000
HCD - AHSC	\$10,850,000
MOHCD**	\$13,676,150
Accrued Interest	\$667,258
Deferred Developer Fee	\$3,771,000
General Partner Equity	\$100
Tax Credit Equity	\$39,502,589
TOTAL	\$85,469,097

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**San Francisco Mayor's Office of Housing and Community Development Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$79,545,465
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$103,409,105
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,136,364
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,971,000
Investor/Consultant:	U.S. Bancorp
Federal Tax Credit Factor:	\$0.95501

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.